Cengage Learning Discloses Materials Provided to Creditors

Stamford, CT – July 2, 2013 – Prior to the date hereof, Cengage Learning Holdings II, L.P. (together with its subsidiaries and affiliates, the “Company”) executed confidentiality agreements (the “Confidentiality Agreements”) with the members of an ad hoc group of certain holders of the Company’s first lien secured claims (the “First Lien Creditor Group”) and certain holders of the Company’s second lien secured claims and unsecured note claims (the “Junior Creditors,” and together with the First Lien Creditors, the “Creditors”) and the Company’s equity sponsor (“Apax”) to facilitate discussions with the Creditors concerning the Company’s capital structure and potential alternatives for a proposed restructuring of the Company. For the avoidance of doubt, any reference to the First Lien Creditor Group herein does not include any affiliate of Apax. Pursuant to the Confidentiality Agreements, the Company agreed to disclose publicly after the expiration of a period set forth in the Confidentiality Agreements a description of the discussions and/or negotiations that have taken place between the Company and the Creditors concerning a restructuring of the Company, as well as all material and certain other confidential information concerning the Company that the Company has provided to the Creditors (the “Confidential Information”).

The information included as an exhibit to this press release and certain information posted on the Company’s investor website referenced herein is being furnished to satisfy the Company’s public disclosure obligations of all material and certain other Confidential Information under the Confidentiality Agreements.

Confidential Information

The Company has made available on its investor website (available at: http://www.cengage.com/investor/): (A) Exhibits to this release that include materials containing the information about the Company furnished to the Creditors that is subject to the disclosure requirements under the Confidentiality Agreements and (B) Electronic copies of certain of the Company’s agreements and other documents related to the material and/or Confidential Information provided to the Creditors: (1) that certain Credit Agreement, dated as of July 5, 2007, as amended by the Incremental Amendment, dated as of May 30, 2008, and the Amendment Agreement, dated as of April 10, 2012, among certain of the Debtors, JPMorgan Chase Bank, N.A. as administrative agent, and the other lenders party thereto; (2) that certain Indenture, dated as of April 10, 2012, among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 11.50% Senior Secured Notes due 2020; (3) that certain Indenture, dated as of July 5, 2012, among Cengage Learning Acquisitions, Inc., the guarantors party thereto, and The Bank of New York Mellon, as trustee and collateral agent, providing for the issuance of 12.00% Senior Secured Second Lien Notes due 2019; (4) that certain Indenture, dated as of July 5, 2007, among TL Acquisitions, Inc. (predecessor of Cengage Learning Acquisitions, Inc.), the guarantors party thereto, and The Bank of New
York Mellon, as trustee, providing for the issuance of 10.50% Senior Notes due 2015; (5) that certain Indenture, dated as of October 31, 2008, among Cengage Learning Holdco, Inc., Cengage Learning Holdings II L.P., as guarantor, and Wells Fargo Banks National Association, as trustee, providing for the issuance of 13.75% Senior PIK Notes due 2015; (6) that certain Indenture, dated as of July 5, 2007, among TL Acquisitions, Inc. (predecessor of Cengage Learning Acquisitions, Inc.), the guarantors party thereto, and The Bank of New York Mellon, as trustee, providing for the issuance of 13.25% Senior Subordinated Discount Notes due 2015; and (7) all security, guarantee, intercreditor, and related agreements.

**Discussions with Creditors**

Beginning in June 2013, the Company and the Creditors engaged in discussions with respect to the Company’s capital structure, including the possibility of a restructuring transaction. In these discussions, the Company shared with the Creditors certain material, non-public information, including prospective financial information.

These discussions resulted in the Company and the First Lien Creditor Group reaching an agreement regarding the terms of a restructuring process, which was documented in the Restructuring Support Agreement and Term Sheet (the “Restructuring Support Agreement”), a copy of which is included in Exhibit B hereto posted on the Company’s website.

**Discussions with Apax**

Substantially contemporaneously with the Company’s transmittal of its restructuring proposal to the First Lien Creditor Group, Apax, informed the First Lien Creditor Group that it would support a restructuring of the Company on substantially the same terms as set forth in the Company’s proposal to the First Lien Creditor Group provided that the plan of reorganization also include an option for any holder of the First Lien Claims to exchange a portion of its pro rata share of the equity in the reorganized Company for a portion of the new debt issued to another holder of a First Lien Claim under the plan of reorganization and vice versa (the “Apax Proposal”). The terms of the Apax proposal are included as Exhibit C hereto posted on the Company’s website. The Restructuring Support Agreement does not include the Apax Proposal.

**Financial Information**

In addition to the disclaimers and qualifiers set forth in the materials themselves, the information contained in Exhibit A is set forth to the following disclaimers and qualifiers.

The Company generally does not publicly disclose detailed prospective financial information. However, in connection with their discussions with the Creditors, the Company provided certain financial information to the Creditors pursuant to the Confidentiality Agreements. Management of the Company prepared the forecasts from certain internal financial projections based on reasonable expectations, beliefs, opinions, and assumptions of the Company’s management at the time they were made. The forecasts were not prepared with a view towards public disclosure and were not prepared in accordance with generally accepted accounting principles (“GAAP”) or published guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of “prospective financial information”.

The inclusion of this financial information should not be regarded as an indication that the Company or any other person considered, or now consider, this information to be necessarily predictive of actual future results, and does not constitute an admission or representation by any person that such information is material, or that the expectations, beliefs, opinions, and assumptions that underlie such forecasts remain the same as of the date of this press release, and readers are cautioned not to place undue reliance on the prospective financial information.

The independent auditor of the Company or any other independent accountant has not examined, compiled, or performed any procedures with respect to the prospective financial information and, accordingly, none has expressed any opinion or any other form of assurance on such information or its achievability and none assumes any responsibility for the prospective financial information.

The information in exhibits to this press release includes financial and other projections that are subject to numerous assumptions, risks, and limitations. These projections were prepared in May 2013 and June 2013 using information available at that time; they do not necessarily reflect the Company’s current expectations and are subject to material revision. The information would differ, perhaps materially, if it was to be prepared using more current information. For example, and among other things, the information does not necessarily reflect all of the potential impact on the Company’s revenues and other financial results that might be expected to occur as a result of the proposed terms of the restructuring transaction set forth in the Restructuring Support Agreement.

Exhibits
(To view Exhibits, please visit http://www.cengage.com/investor/announcements.html)
- Exhibit A – Company Operating Plan
- Exhibit B – Restructuring Support Agreement and Term Sheet
- Exhibit C – Apax Proposal

About Cengage Learning
Cengage Learning is a leading educational content, software and services company for the academic, professional and library markets worldwide. The company provides personalized services and course-driven digital solutions that enhance the educational process resulting in a more engaged learner. Through the integration of content, unmatched services and digital solutions, Cengage Learning delivers a best-in-the-industry experience, resulting in better curricula and improved learner outcomes. Cengage Learning is headquartered in Stamford, CT. For more information on Cengage Learning please visit www.cengage.com.

Forward-Looking Statements
This press release includes certain disclosures which contain “forward-looking statements.” You can identify forward-looking statements because they contain words such as “expects.” Forward-looking statements are based on Cengage Learning’s current expectations and assumptions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that may differ materially from those contemplated by the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in our Third Quarter Report for the three and nine months ended March 31, 2013, as amended.
“Adjusted EBITDA”: Defined as Net income (loss) before: income (loss) from discontinued operations, net of tax; equity losses of affiliates, net of taxes; benefit from (provision for) income taxes; interest expense, net; mark-to-market of derivative instruments; gain on early extinguishment of debt; other (income) expense, net; amortization and impairment of identifiable intangible assets; impairment of goodwill; depreciation; restructuring charges and the amortization of pre-publication costs. Adjusted EBITDA is a non-GAAP financial measure. We believe that this performance measure provides a meaningful basis for reviewing the results of our operations by eliminating the effects of financing and investing decisions, as well as excluding the impact of activities not related to our ongoing operating business. However, this and other non-GAAP measures should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP.

“Bank EBITDA”: Calculated pursuant to the terms of our Credit Agreement.

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